

July 17, 2020

National health spending partially rebounds in May

HIGHLIGHTS

- ▲ At \$3.33 trillion (seasonally adjusted annual rate), national health spending in May 2020 was 12.7% lower than in May 2019.
- ▲ The May 2020 nominal gross domestic product (GDP) was 10.0% lower than in May 2019, and the resulting health-spending share of GDP was 17.3%, and 15.3% of PGDP.
- ▲ Spending in May 2020, year over year, declined in all major categories except prescription drugs, which grew by 5.2%. The greatest decline was in spending on dental services, at 44.1%.

National Health Spending and GDP

	May 2018	May 2019	Apr 2020	May 2020
GDP	20.57	21.36	18.43	19.23
National Health Spending (HS)	3.63	3.81	2.92	3.33
HS Share of GDP	17.7%	17.8%	15.8%	17.3%
HS Share of PGDP	17.8%	18.0%	13.4%	15.3%
Growth from Prior 12 Months				
HS	5.3%	4.9%	-23.2%	-12.7%
GDP	6.1%	3.9%	-13.4%	-10.0%
HS minus GDP	-0.8%	1.1%	-9.9%	-2.7%
HS minus PGDP	0.7%	1.2%	-25.9%	-15.5%

Source: Altarum monthly health spending estimates (see Methods box below). Monthly GDP is from Macroeconomic Advisers and Altarum estimates. PGDP, defined as what GDP would be at full employment, is from the quarterly Congressional Budget Office estimates, converted to monthly by Altarum.

* Spending is in trillions of dollars at a seasonally adjusted annual rate

Altarum is a nonprofit research and consulting organization that creates and implements solutions to advance health among vulnerable and publicly insured populations. Since 2011, Altarum has researched cost growth trends and key drivers of U.S. health spending and formulated policy strategies to help bend the cost growth curve. This work was made possible through generous support from the Robert Wood Johnson Foundation.

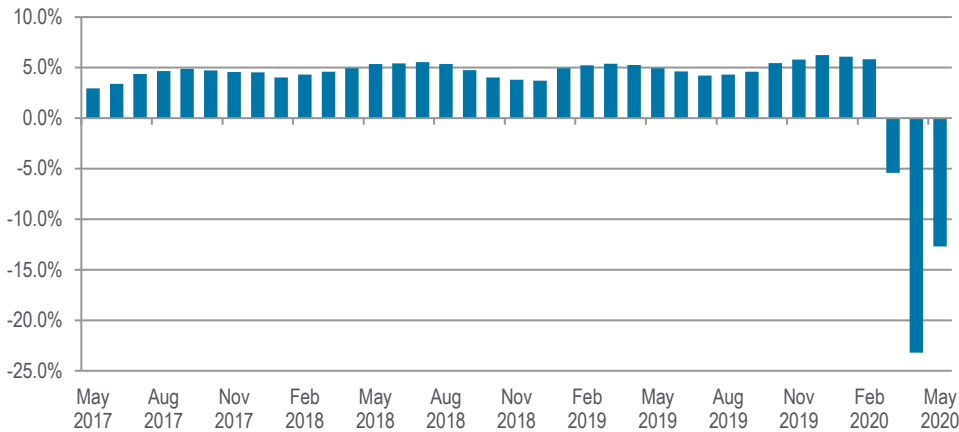
The *Health Sector Economic IndicatorsSM* reports are a monthly publication of Altarum and provide an analysis of health spending, employment, and prices. For more information, contact Paul Hughes-Cromwick, at 202-776-5110 or paul.hughes-cromwick@altarum.org. George Miller, PhD (principal author), Paul Hughes-Cromwick, Ani Turner, Corwin Rhyon, and Matt Daly, PhD, contributed to this brief. Media Contact Sarah Litton, 202-772-5062. press@altarum.org. For more information, visit <http://altarum.org/solution/health-sector-spending>.



DISCUSSION

This month's spending data show a rebound in health spending in total and across all categories except for nursing home care. However, national health spending in May 2020 was still 12.7% below its May 2019 value, while the personal health care spending component of the total was 16.5% lower than in May 2019 (Exhibits 1 and 4). Since the national health expenditure accounts began in 1965, we don't believe there has ever been negative annual

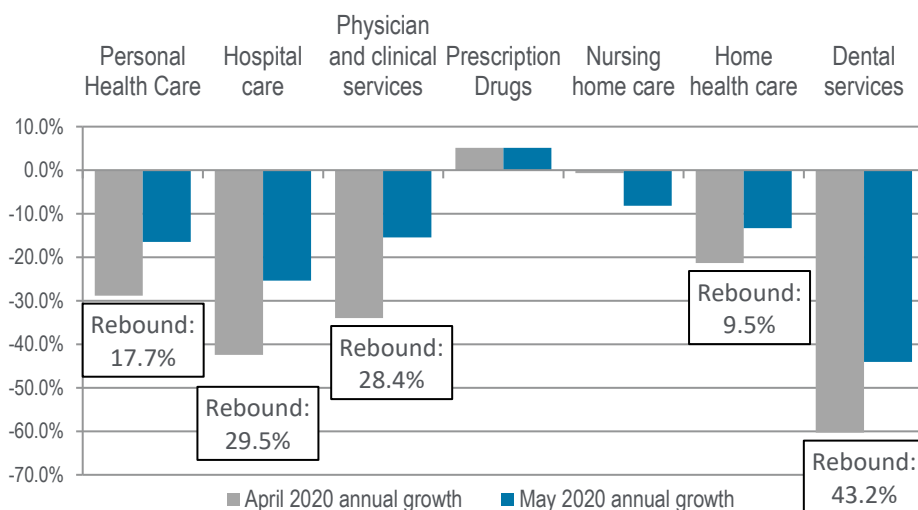
Exhibit 1. Year-over-Year Growth Rates in National Health Spending



growth in national health spending, yet we now see 3 consecutive months of this behavior. The pattern of stable growth followed by 3 months of annual declines holds for each of the main spending categories except for prescription drugs, which saw a spike of 14% growth in March (likely representing stocking up in fear of quarantining and shut downs), with annual growth moderating to 5% in April and May.

Nonetheless, the main story in May is rebounding spending, as shown in Exhibit 2. Personal health care is up 17.7% from April though still down 19.8% from February (the all-time high level). Hospital care rose 29.5% from April but is down 27.1% from February. Interestingly, nursing home care fell 7.2% from April and is down 12.7% from February. Spending on dental care has been especially volatile, rising 43.2% from April to May but still down 44.1% from May 2019.

Exhibit 2. Comparison of April 2020 to May 2020 Annual Growth in Spending by Major Category



The health spending share of GDP has sharply bounced back to 17.3% in May from 15.8% in April, and a mostly steady reading, prior to COVID-19, near 18% over the past four years. This shows that health care spending is now rising more quickly than the overall economy.

While future data will continue to be confounded by additional acute care for COVID-19 patients weighed against suppressed elective care, we suspect that the recent resurgence of new cases will exert a net downward pressure on health care spending into the fall.



DETAILED HEALTH SPENDING

Exhibit 3. Monthly National Spending Estimates by Detailed Category

Levels (in billions of dollars)	May 2017	May 2018	May 2019	May 2020
GDP	\$19,378.9	\$20,565.4	\$21,358.4	\$19,230.9
National Health Spending	\$3,448.8	\$3,632.9	\$3,812.2	\$3,327.7
Personal health care	\$2,922.4	\$3,060.6	\$3,223.1	\$2,692.8
Hospital care	\$1,125.7	\$1,189.0	\$1,256.3	\$937.5
Physician and clinical services	\$691.2	\$720.1	\$750.4	\$634.4
Other professional services	\$95.7	\$104.0	\$109.4	\$91.9
Dental services	\$128.7	\$133.5	\$139.8	\$78.2
Other personal health care	\$182.1	\$190.6	\$198.8	\$208.8
Home health care	\$96.5	\$100.9	\$104.0	\$90.1
Nursing home care	\$162.8	\$168.0	\$178.5	\$164.0
Prescription Drugs	\$324.9	\$332.7	\$357.9	\$376.3
Durable medical equipment	\$51.5	\$55.2	\$58.3	\$41.7
Nondurable medical products	\$63.3	\$66.7	\$69.8	\$70.0
Program administration and net cost of private health insurance	\$267.8	\$305.5	\$312.8	\$346.9
Government public health activities	\$91.1	\$93.1	\$96.1	\$98.5
Research	\$49.8	\$52.2	\$55.1	\$58.3
Structures and equipment	\$117.7	\$121.4	\$125.0	\$131.2
HS Share of GDP	17.8%	17.7%	17.8%	17.3%
HS Share of PGDP	17.7%	17.8%	18.0%	15.3%

Source: Altarum monthly national health spending estimates. The monthly GDP is from Macroeconomic Advisers and Altarum estimates.

Note: Spending is expressed in billions of dollars at a SAAR.

Exhibit 4. National Health Spending 12-Month Growth Rates by Detailed Category

Growth Rates	May 2018	May 2019	May 2020
GDP	6.1%	3.9%	-10.0%
National Health Spending	5.3%	4.9%	-12.7%
Personal health care	4.7%	5.3%	-16.5%
Hospital care	5.6%	5.7%	-25.4%
Physician and clinical services	4.2%	4.2%	-15.5%
Other professional services	8.6%	5.2%	-16.0%
Dental services	3.7%	4.8%	-44.1%
Other personal health care	4.7%	4.3%	5.0%
Home health care	4.5%	3.1%	-13.3%
Nursing home care	3.2%	6.3%	-8.2%
Prescription Drugs	2.4%	7.6%	5.2%
Durable medical equipment	7.2%	5.6%	-28.5%
Nondurable medical products	5.4%	4.6%	0.4%
Program administration and net cost of private health insurance	14.1%	2.4%	10.9%
Government public health activities	2.2%	3.2%	2.5%
Research	4.9%	5.5%	5.9%
Structures and equipment	3.2%	3.0%	4.9%
HS Minus GDP	-0.8%	1.1%	-2.7%
HS Minus PGDP	0.7%	1.2%	-15.5%

Source: Computed from Exhibit 3.

Note: This exhibit compares monthly national health spending to that of the same month from the previous year.



TIME SERIES TRACKER

Exhibit 5. Year-over-Year Percentage Change in Spending and GDP

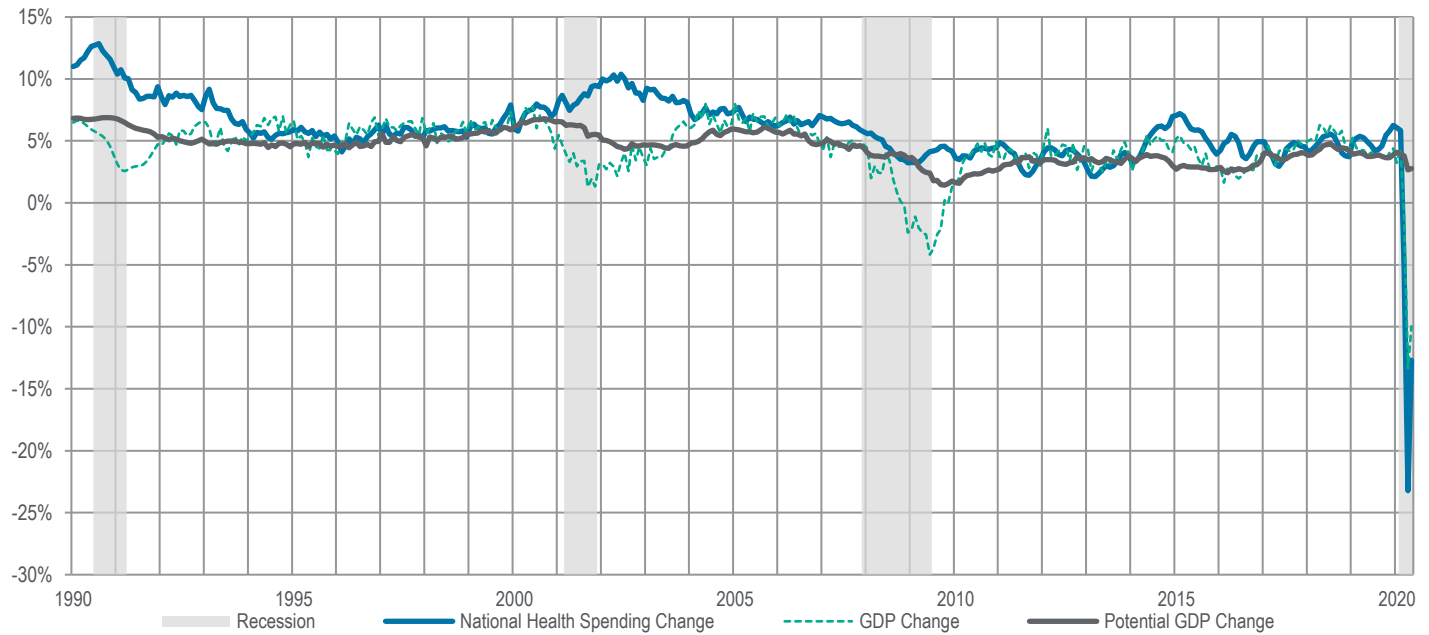
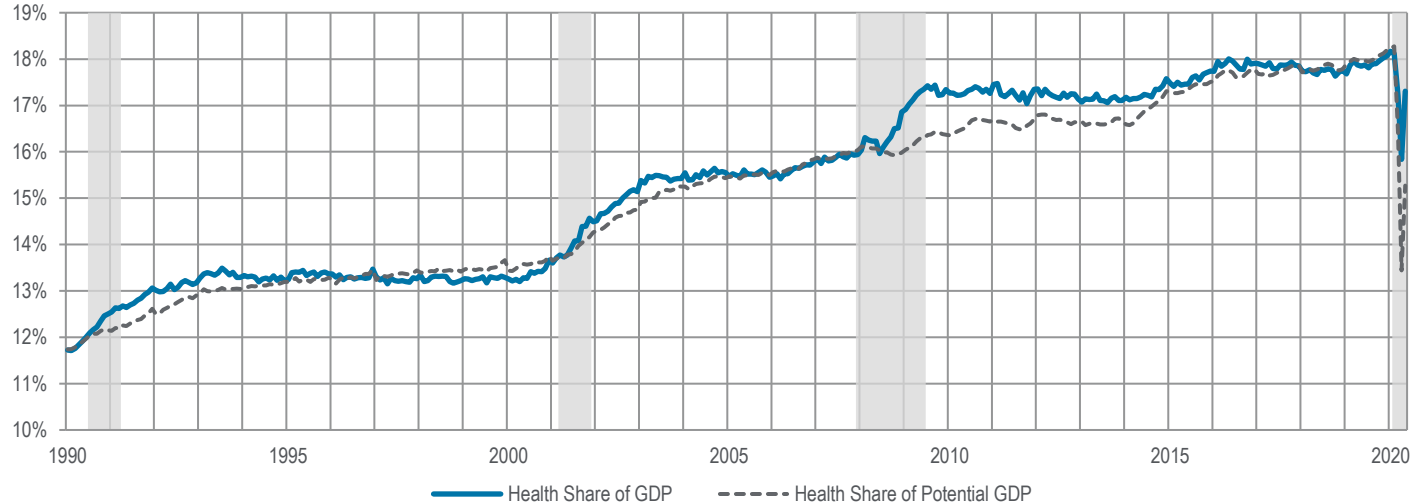


Exhibit 6. Monthly Health Spending as a Percentage of Monthly GDP



Source: Altarum monthly national health spending estimates. Monthly GDP is from Macroeconomic Advisers and Altarum estimates. PGDP is from the U.S. Congressional Budget Office and has been converted to monthly estimates. Note: Lightly shaded bars denote recession periods.

Methods. Altarum’s estimates are based on [BEA monthly health spending](#) and [CMS annual NHE estimates \(1990–2018\) and projections \(2019\)](#). BEA spending categories are matched to NHEA components by using information presented in the following: Hartman, M. B., Kornfeld, R. J., & Catlin, A. C. (2010, September). A reconciliation of health care expenditures in the National Health Expenditures Accounts and in gross domestic product. *Survey of Current Business*, 90(9), 42–52. For all NHEA personal health care categories except “other health, residential, and personal care,” monthly estimates are based on BEA spending adjusted to NHEA by using annual ratios. For the remaining categories, national health spending estimates and projections are allocated across months by using a simple trend. Annual ratio adjustments through 2018 are based on NHEA actuals and ensure that monthly estimates sum exactly to NHEA annual amounts. The 2018 ratios are used to adjust BEA spending for months in 2019 and 2020.